

## Message Text

LIMITED OFFICIAL USE

PAGE 01 NEW DE 01606 041830Z

63

ACTION XMB-04

INFO OCT-01 NEA-09 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 RSC-01 TRSE-00 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 /049 W

----- 023600

R 041655Z FEB 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 6680

LIMITED OFFICIAL USE NEW DELHI 1606

PASS EXIM FOR VICE PRESIDENT HOUSTON

E.O. 11652: N/A

TAGS: BEXP, EFIN, USINJC, IN

SUBJ: UNION CARBIDE APPLICATION FOR EXIM LOANS

1. UNION CARBIDE HAS RECEIVED GOI APPROVAL TO ESTABLISH A PESTICIDE MANUFACTURING PLANT IN INDIA AND TO IMPORT APPROXIMATELY \$2.5 MILLION WORTH OF CAPITAL GOODS REQUIRED FOR THIS PLANT. WHILE APPROVAL FOR THIS PRIORITY PLANT WAS SPEEDILY GRANTED THE MECHANICS OF THE FOREIGN EXCHANGE ALLOCATION HAVE ALREADY CAUSED CONSIDERABLE DELAY AND THREATEN TO TIE THIS PROJECT UP EVEN FURTHER.

2. THE GOI WOULD LIKE UNION CARBIDE TO OBTAIN ITS FOREIGN EXCHANGE THROUGH ICICI OR OTHER SIMILAR INDIAN FINANCIAL INSTITUTIONS. IT HAS BEEN LONG STANDING GOI POLICY IN SUCH CASES TO INSIST ON GOI REPRESENTATION ON COMPANY BOARDS AND TO HAVE THE RIGHT TO CONVERT SOME OF THE BORROWED FUNDS INTO EQUITY CAPITAL AT GOI DISCRETION. UNION CARBIDE IS CLEARLY UNWILLING TO ACCEPT EITHER OF THESE CONDITIONS IN EXCHANGE FOR A MINIMAL FOREIGN EXCHANGE AMOUNT WHICH IT COULD OBTAIN OTHERWISE. AFTER SIX MONTHS OF NEGOTIATION GOI FINALLY AGREED TO PERMIT UNION CARBIDE TO BORROW THROUGH COMMERCIAL AND EXIM CHANNELS BUT INSISTED THAT UNION CARBIDE OBTAIN 45 PERCENT FINANCING FROM EXIM.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 NEW DE 01606 041830Z

TAIN 45 PERCENT FINANCING FROM EXIM.

3. THE FINANCIAL ISSUE INVOLVED IS MINISCULE (THE DIFFERENCE BETWEEN EXIM AND COMMERCIAL INTEREST RATES ON 15 PERCENT OF \$2.5 MILLION) AND UNION CARBIDE IS, IN PRINCIPLE, WILLING TO BORROW MORE COMMERCIALLY. IT COULD (BUT WOULD PREFER NOT TO) BUY THE NECESSARY EQUIPMENT IN GERMANY AND MEET GOI REQUIREMENTS IN THIS MANNER. AS SEEN FROM THE GOI POINT OF VIEW THE ISSUE IS ONE OF PRINCIPLE AND IT HAS ALREADY AGREED TO COMPROMISES NOT USUALLY AVAILABLE TO INDIAN BORROWERS.

4. WHILE WE DO NOT ENDORSE THE GOI POLICIES WHICH HAVE LED TO THE DILEMMA WE RECOMMEND EXIM FAVORABLE CONSIDERATION OF FULL 45 PERCENT PARTICIPATION IN THIS BORROWING. WE DO NOT BELIEVE IT ESTABLISHED A PRECEDENT AND ONLY ARISES BECAUSE OF THE US MAJORITY OWNERSHIP INVOLVED. NO OTHER INDIAN APPLICANT FOR EXIM COULD PUT FORWARD A SIMILAR CASE. WE BELIEVE SUCH ACTION WOULD BE IN LINE WITH INDO-US COOPERATION IN THE JOINT COMMISSION AND ITS EMPHASIS ON US PRIVATE COOPERATION IN AGRICULTURAL INPUTS. THE AMOUNT AT STAKE IS ONLY \$200,000, THE RISK FACTOR NONEXISTENT WHILE THE GAIN FROM USG FLEXIBILITY IN BILATERAL COOPERATION AND AGRICULTURAL INPUTS WOULD BE SIGNIFICANT. FAILURE TO ACT AT A MINIMUM DELAYS THE PROJECT AND MIGHT WELL LEAD TO LOSS OF EXPORT SALES AS UNION CARBIDE ATTEMPTS TO MEET GOI REQUIREMENTS ELSEWHERE.

5. WE WOULD APPRECIATE BEING KEPT ADVISED OF THE STATUS OF THIS CASE.  
SCHNEIDER

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** BANK LOANS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 04 FEB 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** CunninFX  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975NEWDE01606  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750041-0313  
**From:** NEW DELHI  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750274/aaaacors.tel  
**Line Count:** 91  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION XMB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** CunninFX  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 04 AUG 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <04 AUG 2003 by ShawDG>; APPROVED <24 NOV 2003 by CunninFX>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** UNION CARBIDE APPLICATION FOR EXIM LOANS  
**TAGS:** BEXP, EFIN, IN, UNION CARBIDE, USINJC, XMB  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006